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HIGH-LEVEL INTERGOVERNMENTAL MEETING ON THE MID-TERM GLOBAL REVIEW OF THE IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s
New York, 26 September 1995

REPORT OF THE MEETING OF GOVERNMENTAL EXPERTS OF DONOR COUNTRIES AND MULTILATERAL AND BILATERAL FINANCIAL AND TECHNICAL ASSISTANCE INSTITUTIONS WITH REPRESENTATIVES OF THE LEAST DEVELOPED COUNTRIES

Held at the Palais des Nations, Geneva,
from 29 May to 2 June 1995

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INTRODUCTION

1. The Meeting of Governmental Experts of Donor Countries and Multilateral and Bilateral Financial and Technical Assistance Institutions with Representatives of the Least Developed Countries took place at the Palais des Nations, Geneva, from 29 May to 2 June 1995. The Meeting was convened pursuant to General Assembly resolution 49/98 of 19 December 1994 as part of the preparatory process for the High-level Intergovernmental Meeting on the Mid-term Global Review of the Implementation of the Programme of Action for the Least Developed Countries for the 1990s (scheduled to begin on 26 September 1995).

2. In the course of the session, five plenary meetings were held. This report gives a brief account of those meetings and of the outcome of the work of the Working Group established by the Donor/Recipient Meeting to consider specific issues under agenda item 3.

Opening statements

3. The **Chairman** stated that he saw his nomination as recognition of the role that his country had traditionally played in supporting the cause of the least developed countries (LDCs). The Meeting provided a unique opportunity for the entire international community to respond to the acute problems of the LDCs. The chronic economic difficulties faced by several LDCs had been further aggravated by natural and man-made disasters. Their overall economic conditions remained bleak. Regrettably the economic slide of the early 1990s had not been reversed, as this period of decline had followed two decades of stagnation. For LDCs as a whole, per capita income had fallen during the early 1990s, leading to deteriorating living conditions, particularly in many African LDCs. Although the development outlook was sombre, serious efforts were being made in the majority of LDCs, with the support of the international community, aimed at strengthening domestic policy performance.

4. Progress in the implementation of the Programme of Action had to be evaluated against this background, he believed. The Meeting had the arduous task of reviewing the implementation that had been achieved so far at the national level as well as examining the international support measures and of recommending new measures for ensuring the full and effective implementation of the Programme over the second half of the decade. The Programme of Action was by no means controversial and the resources required for its implementation were relatively modest in global terms. It was therefore opportune at this time to demonstrate and reaffirm the commitment of the international community to the development of the LDCs, in the spirit of cooperation and solidarity which had prevailed at the Second United Nations Conference on the Least Developed Countries, held in Paris in 1990.

5. The **Deputy to the Secretary-General of UNCTAD** said that the Meeting was the main preparatory exercise for the Mid-term Global Review of Progress towards the Implementation of the Programme of Action for the Least Developed Countries for the 1990s; this Programme of Action had been adopted by the Paris Conference five years ago. The meeting offered participants the

opportunity to assess the extent of progress in the implementation of the Programme of Action and to examine the actions needed to advance. This effort was being undertaken in a context of: growing macroeconomic imbalances manifested in large fiscal and balance-of-payments deficits; poor performance of the productive sectors, particularly commodities; a marked deterioration in human welfare reflected in indicators of caloric intake, increased mortality and morbidity and lower school enrolments. The worsening of social conditions, further marginalization of the weakest members of society, especially women, and a visible rise in civil strife and political instability were problems which had been compounded on the external front by further declines in LDCs' trade shares, inadequate external finance, and the persistence of severe debt-servicing problems.

6. It was a matter of concern that while the world economy was on its way to broad-based recovery, with few exceptions, the least developed countries had not been able to share the fruits of that expansion. Although nearly one quarter of LDCs had attained positive per capita growth in the early 1990s, on average, the group of LDCs, with a population growth rate of about 2.9 per cent per year, had suffered a per capita income decline of 1.1 per cent during the first four years of the decade. Despite those constraints, most LDCs had nevertheless embarked on a process of structural adjustment and wide-ranging reforms, but often with limited success. An important task of the Meeting would be to examine why reforms had not succeeded and to find viable solutions. Another major task would be to consider the responsibilities of the LDCs' development partners, taking into account the fact that there had been little progress in implementing the aid targets and related commitments concerning the quality of development assistance adopted unanimously at the Paris Conference. Although initiatives regarding debt relief for LDCs and other low-income countries had been taken by many creditors, most LDCs still bore an unsustainably high debt overhang. Of equal concern were the implications of the Final Act of the Uruguay Round for the LDCs. The Meeting could thus examine priority actions in the areas of external finance, debt and trade, supporting the current efforts of the LDCs. Key issues which needed to be addressed in terms of external finance were how to improve aid allocations to LDCs, including assuring the resource base of the multilateral institutions which played a major role in meeting LDCs' aid requirements, as well as how to enhance the effectiveness of aid. Comprehensive debt-relief programmes needed to be implemented to provide durable solutions to LDCs' external debt problems.

7. The **Acting Chairman of the Special Sessional Committee** of the forty-first session (Second Part) of the Trade and Development Board recalled that the status of preparations for the High-level Intergovernmental Meeting on the Mid-term Global Review of the Implementation of the Programme of Action for the Least Developed Countries for the 1990s had been reviewed at that session of the Board. In its Agreed Conclusions 423 (XLI), the Board had felt that the proceedings of the High-level Intergovernmental Meeting could be significantly enhanced if a comprehensive assessment of progress in the implementation of the Programme of Action by Governments was made available to the High-level Meeting. In that connection, the Board had requested its Chairman to undertake intensive consultations with member States of UNCTAD,

with a view to arriving at an assessment of progress made in the implementation of the Programme of Action together with possible recommendations for consideration at the Donor/Recipient Meeting. The Board had identified several elements which should be taken into account in the assessment. He went on to enumerate six variables ranging from developments in the world economy to the coming into force of the World Trade Organization and the implications of the Final Act of the Uruguay Round. On the basis of these elements, consultations with several delegations and the outcome of the annual reviews by the Trade and Development Board, he had submitted TD/B/LDC/AC.2/CRP.1, containing a draft assessment of progress in the implementation of the Programme of Action, and TD/B/LDC/AC.2/CRP.1/Add.1, setting out possible recommendations in a number of key areas. These reports did not of course preclude further areas being identified for recommendations to be made by the High-level Intergovernmental Meeting on the Mid-term Global Review.

8. The representative of **Bangladesh**, speaking on behalf of the **Least Developed Countries**, said that despite the fact that the world economy was moving towards a broad-based recovery, there had not been any real improvement in the economic situation of the LDCs as a group. Their overall growth performance in 1994 was estimated to have stood at around 1.4 per cent, with real output in African LDCs having suffered a decline. Most of the objectives set out in the Programme of Action could not be fulfilled because of a combination of factors, both internal and external.

9. The majority of LDCs had carried out wide-ranging programmes of policy reforms. The pace and scope of those painful reforms contrasted sharply with the meagre results achieved. The under-funding of the structural adjustment programmes by the international community had impeded reform efforts in LDCs while imposing excessive levels of austerity on the poor. In designing reform measures, it was important to take into account the structural characteristics, specific needs and level of development of each country as well as supply constraints. The availability of resources for LDCs had been adversely affected by the decline of official development assistance (ODA) to LDCs: from 0.09 per cent of the donor's GNP in 1990 to 0.07 per cent in 1993, despite the target of 0.15 per cent. In that connection, LDCs wished to acknowledge with appreciation that Denmark, Norway, Netherlands and Sweden had more than fulfilled their aid targets to LDCs while France and Portugal had fulfilled theirs. Enhanced efforts in favour of LDCs from major donors would be essential to turn the tide in the flow of ODA to LDCs, providing them with vital resources. Multilateral ODA had also fallen; the flow of non-concessional resources had been erratic.

10. The LDCs had had to accept the overall package of the Uruguay Round as a single undertaking. With a view to alleviating their resulting concerns, the Marrakesh Declaration and related Ministerial decisions had made a special provision in their favour. The WTO agreements stipulate that the LDCs must undertake commitments and concessions consistent with their individual development, financial and trade needs or their administrative and institutional capacities. In view of the supply constraints, LDCs might not be able to take advantage of the opportunities offered by the new trading

regime. There had already been serious erosion of the margin of preference for LDCs because of reductions in the most favoured nation tariffs under the Uruguay Round agreements. Hence it was imperative that the international community give priority to rendering operative the Marrakesh Declaration and related Ministerial decisions in favour of LDCs. The possibility of putting in place a safety net for compensating the LDCs might be explored.

11. The LDCs expected the Mid-term Global Review to focus on some key areas such as flow of resources, debt relief, implementation of the special measures for LDCs provided in the Final Act of the Uruguay Round and the Marrakesh Declaration, poverty alleviation, human resources development, capacity-building and removal of supply constraints.

12. The representative of **France** speaking on behalf of the **European Union** (EU) noted that the implementation of the Programme of Action had begun in a rather unfavourable environment marked by recession in the industrialized countries and a continuing drop in commodity prices. Those developments were bound to have an adverse impact on LDCs in terms of export earnings, ODA flows and abilities to cope with debt obligations. He cited statistics illustrating the difficulties which LDCs had faced during the early 1990s, related to low annual growth rates, a decline in per capita GDP and continued decline in their share in world trade along with the heavy debt burden. There were, however, several encouraging signs, including the fact that Asian LDCs had been able to increase their GDP and GDP per capita, while others, including African LDCs, had been able to improve their economic performance by a combination of internal stability, coherent macroeconomic policies and external support measures. The contrast in the performance of individual LDCs showed that it was important to avoid sweeping assessments; a differentiated approach would lead to more encouraging results.

13. In the spirit of the Paris Declaration and the Programme of Action, it might be worthwhile reflecting on the ways to help LDCs overcome the challenges that they were facing, particularly those relating to liberalization and globalization. In that connection, three areas deserved special attention. First, upon the entry into force of the Final Act of the Uruguay Round, LDCs would have to be enabled to benefit from the globalization of international trade. In this regard, the EU had already announced its intention to provide technical assistance to LDCs. Secondly, the "Naples terms" represented a substantial improvement in dealing with LDCs' external debt; nine LDCs had already benefited from those provisions. Thirdly, as ODA represented the principal source of external finance to LDCs, donor countries were aware of the importance of the objectives set in Paris. The EU had made the alleviation of poverty one of its major objectives. In 1993 the EU provided about 0.12 per cent of its GNP as ODA to LDCs; five member countries had even surpassed the target of 0.15 per cent. Prospects for the evolution of external assistance implied improving aid effectiveness and linking it to reform efforts well adapted to the needs of each country; in that respect the importance was underlined of holding country review meetings as envisaged in the Programme of Action which had likewise attached a high value to good management and the need for close association between the authorities and the local population from the design to the policy implementation stages. He then

commented on some aspects of the LDCs 1995 Report relating to reserving a growing part of ODA to LDCs, the role of new donor countries in the context of South-South cooperation and promoting foreign direct investment. The EU looked forward to seeing all the provisions of the Programme of Action (paras. 137-144 therein) implemented. Lastly, he called attention to UNCTAD's focal role in favour of LDCs, as stressed by the Cartagena Commitment.

14. The representative of the **European Community** said that in 1993 net disbursements of ODA to LDCs from the European Community had amounted to US $1,294.18 million of which 93 per cent had been provided in grant form. Those figures were lower than in 1992 largely because of the reduction in STABEX transfers. The ODA volume provided for 1994 was probably significantly higher despite low STABEX transfers. The figures indicated that the European Community was one of the largest sources of ODA financing for the least developed countries. The least developed countries accounted for 35.5 per cent of all ODA provided by the European Community in 1993. The European Commission had recently issued a communication on Community support for structural adjustment under the Lomé Convention. It noted that while financial stabilization had usually been relatively successful in the short term, the underlying economic trends had not been reversed and the positive effects of adjustment in terms of growth were sluggish. The Commission was of the view that more attention should be given to: adaptation of the pace and sequence of reforms and structuring conditionality in line with the specific requirements of individual countries; promoting local acceptance of the adjustment process; making structural adjustment form part of a more general long-term approach aimed at developing human resources, rebuilding a healthy economic and social environment; integrating national programmes into regional frameworks; better adaptation of the European Union's own instruments and procedures to changing and varied situations; more assistance in monetary matters; more realism in the definition of conditionality; improved coordination between donors supporting adjustment efforts and the recipient countries.

15. The European Community was giving higher priority to poverty alleviation and health. Under the current European Development Fund more than 800 million ECUs were being devoted to health spending (about 70 per cent of the total aid, compared to 3 per cent for the previous five-year period). The Community supported greater emphasis on education in the next five-year period, both in project and programme financing.

16. LDCs' exports enjoyed access to the European Union market on highly favourable terms and both the European Union's GSP scheme for 1995 as well as the trade regime likely to be adopted under the current review of Lomé IV should produce additional advantages for the LDCs. The main thrust was to improve the competitiveness of LDCs' exports and strengthen efforts in the field of trade efficiency and trade promotion. The European Community confirmed its commitment to provide technical assistance to LDCs in particular, in order to enable them to take full advantage of development opportunities.

17. The representative of the **United Republic of Tanzania** said that the LDCs faced dire economic conditions, in sharp contrast to the broad-based improvement in the world economy during the period 1994 to 1995. Domestic and external factors were the cause. Available evidence showed that most LDCs had undertaken profound economic reforms. It was, however, acknowledged that the pace and scope of those painful reforms contrasted sharply with the meagre results achieved in most LDCs. The main shortcomings had been the lack of adequate resources to carry out the reforms. Furthermore LDCs were, in some cases, expected to implement structural adjustment policies which were not always designed to suit their conditions. Hence the reform process had neither removed the structural constraints in the economies of many LDCs nor improved their supply capacity.

18. For most LDCs, the performance of the productive sectors such as agriculture, industry and infrastructure had not been at all encouraging. While enhancement of production and productivity in agriculture would result in the improvement of production of agricultural commodities, improving performance in this sector entailed providing appropriate incentives and inputs. Besides correcting the imperfections in the commodity markets, the international community ought to commit itself to providing the additional resources required to support the LDCs' diversification programmes, including the establishment of financial mechanisms such as the proposed African Diversification Fund. A critical element of the support from the international donor community was the provision of adequate resource flows to the LDCs. Developed countries should take urgent measures to increase ODA flows, matching the agreed target of 0.7 per cent of their GNP to the developing countries. In particular, they should make concerted efforts to reach 0.20 per cent for the LDCs. He acknowledged the efforts made by several donor countries to meet the aid targets of the Programme of Action and he urged all donors to do their best to increase their ODA, particularly to LDCs. The donor community should also take measures and devise programmes to encourage direct foreign investments in the LDCs and to take effective measures to remove the LDCs' debt overhang.

19. The representative of **Afghanistan** referred to the heavy human and material losses suffered during more than 14 years of war; of a total population of 17 to 18 million, about 5 to 6 million refugees had left the country; 3 million had been displaced internally, more than 1 million people had lost their lives and around 2 million were disabled. As a consequence, exports had dropped to less than a third of the 1988 level; the ensuing negative balance of trade - as essential imports had to be maintained - had exerted inflationary pressures on the economy. In the absence of external financing, borrowing from the domestic banking system had intensified. However, restructuring was now under way and progress had been made in the following areas: fiscal and monetary developments and policy implementation, public sector enterprises, agriculture, improvements in balance of payments and trade, and foreign investment opportunities. Overall socio-economic conditions in Afghanistan were vastly better in 1995. At present, over 90 per cent of the country enjoyed political and social stability. Afghanistan, a land-locked country, was once again serving as a transit country to the Central Asian Republics and welcomed the trade-enhancing

stimulus of serving as a crossroads to regional development. The paucity of both financial and technical resources was hampering the capacity to accomplish reconstruction since the war. Donors, especially those which had come to Afghanistan's aid in some of its darkest hours, should not yet abandon the effort because there was still an urgent need. Committed to democracy, Afghanistan had recently promulgated a domestic and foreign private investment law that was one of the most liberal of its kind; foreign investment was being welcomed and terms were very favourable.

20. The representative of **Bangladesh** described his country's socio-economic situation and the measures taken to meet the development goals of the Programme of Action. Macroeconomic stability had been achieved, the financial sector had been deregulated, imports liberalized, a flexible exchange rate policy adopted, and institutions for export promotion had been strengthened. Industrial policy had been further liberalized to attract private investment from home and abroad. In addition, there had been a decisive shift in the development priorities of investment from physical infrastructure to human resources development and poverty alleviation. To achieve this, the share of public investment in education, health, sanitation and family welfare had been raised significantly. During the current (fourth) Five-year Plan, the share of social sectors had gone up from 11 or 13 per cent to 31 per cent. This had produced tangible results - the enrolment ratio of boys to girls had improved and now stood at 53:47; immunization coverage had jumped from 5 per cent in 1985 to 69 per cent at present, and safe drinking water supply had reached 95 per cent of households. The results were a considerable improvement in macroeconomic indicators and stabilization of the economy. Real GDP had increased from 4.2 per cent in 1992 to 4.6 per cent in 1994 and was expected to exceed 5 per cent in 1995. The fiscal deficit had dropped from about 8 per cent of GDP in the period 1986 to 1988 to around 5 per cent over the past four years and was projected to remain at that level. Domestic savings had shown steady growth since 1990 and in 1994 for the first time the national savings/GDP ratio had exceeded 14 per cent. This had enabled Bangladesh to finance nearly 42 per cent of development outlays from its own resources. However, the country remained vulnerable to cyclones, floods and drought without adequate investment in flood control and water-resources development. Another impediment to development was the high debt burden, Bangladesh alone accounted for about 10.7 per cent of total LDC debt; debt service payments in 1993-1994 represented about 20 per cent of the country's exports of goods and 12 per cent of exports of goods and services.

21. Despite wide-ranging structural reform, the flow of external resources had not been supportive of these efforts. There had been a continuous decline in ODA. For the first eight months of 1995, total commitments of foreign aid were only $617 million and for the year could be expected marginally to exceed $1,000 million, one of the lowest so far. In view of the insignificant flow of foreign direct investment, increased external financing was needed to support the reform programme and transition to the democratic process.

22. The representative of **Norway** said that the Least Developed Countries 1995 Report presented a mixed picture: the slow development in the LDCs as a group was alarming; however some countries had made significant progress in reforms

and were experiencing notable increases in economic growth. Thus a particular challenge for the Mid-term Review would be to identify the prerequisites for spreading the success wider. Notwithstanding the Programme of Action, the aggregate figures had indicated a deterioration during the first half of the decade. The LDCs' role in the international economy had become further marginalized.

23. Although it was important to identify obstacles to development at the national level, the fact was that the international community had not lived up to the expectations of the Programme of Action. Donors which had not yet met the 0.15 per cent target were urged to do their utmost to reach that modest level of contribution to the least developed countries as soon as possible. New donor countries should be encouraged to join others in assisting the LDCs within the framework of South-South cooperation. Norway would continue to put great emphasis on assisting the least developed countries. Both in 1993 and 1994 it had allocated 0.32 per cent of its GNP to the least developed countries. It would be gratifying to see improvements in the debt treatment of the poorest and most indebted countries that went even beyond the Naples terms. In the Paris Club, Norway had advocated a debt reduction of up to 80 per cent where appropriate.

24. As stated in the Marrakesh Declaration, the GSP-schemes for the least developed countries needed to be improved considerably, with duty-free and quota-free market access being granted to LDCs for nearly all agricultural products. This would hopefully facilitate increased imports from the LDCs. Areas deserving of special attention on the part of LDCs included: human resources development, population issues, sound macroeconomic management, good governance and respect for human rights. Increased support for development in the LDCs presupposed that the group was properly identified; credible and generally accepted criteria both for including countries in the group and for graduating them from the LDCs would undoubtedly have a stirring, mobilizing effect.

25. The spokesman for the **African Group** (Sudan) noted that as the Programme of Action had entered the fifth year of implementation, the overall prospects for growth and development of LDCs, especially in Africa, had deteriorated. The number of struggling countries had increased from 41 in 1990 to 48 today. The factors, both external and domestic, which had contributed to that poor performance had been well documented in the Least Developed Countries 1995 Report. Despite the overall bleak LDC economic picture, a number of African LDCs had improved their performance and had achieved notable increases in their per capita output during the period. Most of the African LDCs had undertaken policy reforms, often within internationally agreed frameworks for structural and sectoral adjustment. They had also taken steps to expand and modernize their economic base and enhance human and institutional capacities, as recommended in the Programme of Action. Efforts to sustain policy reforms in an inclement economic environment remained perhaps the most striking feature of the implementation of the Programme of Action so far. In contrast to the wide and difficult range of domestic reforms undertaken by the LDCs, the international support measures to complement their efforts appeared

inadequate, as evidenced by the insufficient progress in meeting ODA targets or dealing with the external debt burden of the LDCs, and by their diminished trading opportunities.

26. For most LDCs, particularly those in Africa, the performance of the productive sectors had not been encouraging. Domestic resources could not match social sector expenditures, particularly in the areas of health and education. The Mid-term Global Review would need to address such issues adequately. In the 1990s, the LDCs' share in world exports and imports fell by one half and one third, respectively, from the already meagre levels of 0.6 per cent and 1.0 per cent, respectively, in 1980. Continued reliance on the export of primary commodities in the face of their sluggish demand and falling world prices had adversely affected the performance of many LDCs, especially in Africa. Regarding the outcome of the Uruguay Round, a major concern was that African LDCs would suffer an erosion of preferential margins on most of their exports to major markets. Net food-importing African LDCs were likely to face higher food import costs resulting from the agreement on agriculture. There was an urgent need for external support to mitigate such adverse consequences, particularly through substantially enhanced trade preferences as well as compensatory financing measures.

27. While welcoming the improved aid performance by some donors, overall there had been a shortfall in meeting the commitment undertaken in the Programme of Action. It was a matter of urgency that development partners implement fully their commitments in all areas and provide new and additional resources in view of the number of LDCs. He then called for specific new initiatives to alleviate the external debt overhang of the LDCs to a level that would permit the revival of socio-economic development. Full cancellation of all bilateral official debt and a substantial reduction of debt stock and the debt service burden owed to multilateral financial institutions and commercial creditors was necessary. The LDCs should be provided with additional resources, both in terms of concessional finance and access to environmentally sound technology in line with the recommendations of the Programme of Action.

28. The representative of **Uganda** referred to the recent experience of his country in the field of economic development as a model for other LDCs, as many of them were trying policy initiatives that had been successfully tested in Uganda under difficult conditions. Uganda's GDP had grown at an annual average rate of 5.6 per cent since 1986. The industrial sector had responded particularly well to the Government's policies to promote manufacturing as a means of diversifying the economy. Industrial output grew at an average of 10 per cent per annum in 1993-94 and was expected to perform even better in 1995. The inflation rate of 250 per cent in 1987 had dropped to 6.5 per cent in 1994 and was expected to remain at that level in 1995. Low inflation rates plus positive real interest rates had led to an increase in the rate of financial savings within the banking system, which had increased from 1.1 per cent of GDP in 1988-89 to 2.6 per cent in 1993-94. Much progress had been made in revenue mobilization, as illustrated by the fact that the revenue/GDP ratio had increased from 5 per cent in 1986 to 9.5 per cent in 1993 and was expected to reach 11.5 per cent in 1995. As a result, there had

been a closer convergence of revenue and expenditure and it was expected that by 1997 or 1998 recurrent expenditures would be fully funded by domestic revenues on a sustainable basis. The foreign reserves of the central bank had increased from $23 million in 1991 to $210 million in 1995, which was equivalent to four months of imports. This increase was attributed in part to the increase in private transfers from Ugandans living abroad.

29. Reforms had also been implemented in the civil service and the demobilization of the army, leading to substantial retrenchment and bringing defence spending under control. One of the major challenges facing Uganda's economy in the area of exports' diversification was the appreciation of the Ugandan shilling since 1993 by more than 25 per cent, leading to lower competitiveness of manufacturing exports. Uganda had been the first country to be awarded the Naples terms of the Paris Club. Thus $89 million of its debt had been written off and $50 million had been rescheduled for payments over a period of more than 20 years. However, the problem of multilateral debt remained, as this could not be rescheduled and resources were being diverted to debt service that could have been allocated to human development.

30. The representative of **Japan** reaffirmed his Government's commitment to provide assistance to the Least Developed Countries facing severe difficulties in the new international situation. As a major donor country, Japan would continue to extend support to LDCs in such areas as infrastructure construction, food aid, poverty alleviation, balance of payments, structural adjustment and the application of GSP schemes. Japan believed that a new international strategy for development should be based on a comprehensive approach where all the elements contributing to development were effectively coordinated and utilized. In this context, the impact of the Uruguay Round on LDCs was one of the most important issues in considering development strategies. There was a need for capacity-building in the LDCs to enable them to participate effectively in the new international economic system. This would require international cooperation. In this connection, UNCTAD had a great role to play. It was still too early, however, to form a clear picture of the impact of the Uruguay Round on LDCs and so over-hasty judgements or decisions on this issue should be avoided. Japan supported the views expressed by the representatives of the European Union and Norway in their statements as to the greater role in LDCs' development to be played by new donors graduating from the category of developing countries within the South-South cooperation framework.

31. The representative of **Myanmar** said that the 1980s had been a "lost decade" for the LDCs and that there had not been any substantial improvement in the economic conditions of the LDCs as a group in the first half of the 1990s. Turning to the past overall economic performance of his country, he said that Myanmar had achieved reasonable growth during the early 1980s but the economy had begun to falter in the mid- to late 1980s, recording a growth rate of 2.9 per cent in 1985/86 and negative growth rates of -2.4 and -11.3 per cent in 1987/88 and 1988/89, respectively, as a result of the shortfall in export earnings, mainly due to declining commodity prices in world markets. In response to the deteriorating economic situation and the need to integrate the economy fully with the rest of the world, Myanmar had

initiated a series of liberalization and economic reforms in late 1988. The process was launched with the complete roll-back of a centrally planned socialist economic system. Steps were taken to encourage domestic and foreign investment and to give the private sector a greater role through the promulgation of the Union of Myanmar Foreign Investment Law which had permitted foreign investors to form wholly owned or joint ventures, with special emphasis on export activities. The economic decline had thereby been reversed and Myanmar had achieved a growth rate of 3.7 per cent in 1989/90 and 2.8 per cent in 1990/91. Following a set-back in 1991/92, growth had resumed with annual rates of 5.1 and 6 per cent in 1992/93 and 1994, respectively.

32. He urged all development partners to provide the LDCs with the resources needed for economic development, to take decisive action for outright cancellation of outstanding ODA loans to the LDCs and to extend tangible support to the LDCs for the stabilization of export earnings from primary commodities. Furthermore, action should be taken to help the LDCs to participate in and to derive benefits from the globalization of the world economy and liberalization of trade through the measures of trade promotion and preferential access to markets.

33. The representative of **Yemen** described the difficult circumstances which his country had been facing in the period since the adoption of the Programme of Action in 1990. His Government had been making great efforts to implement stabilization and development programmes. Among the most important developments was, first, the reunification of the country in 1990 which had entailed enormous costs to integrate different socio-economic systems. Secondly, the Gulf war had adversely affected Yemen, as about 1 million Yemenis working in neighbouring countries had returned home, putting further pressure on the already difficult resource situation. At the same time, the country lost the substantial workers' remittances and external assistance from Gulf countries and other bilateral and multilateral sources. Thirdly, the events in the Horn of Africa caused an influx of refugees to Yemen which put an additional burden on the country's already strained resources. Fourthly, Yemen had been struck by a series of natural disasters during the period 1990 to 1994, such as floods and earthquakes which caused heavy damage to property and agricultural production. Fifthly, the country faced a serious political crisis which had led to a military conflict during May/June 1994 which resulted in loss of life and damage to economic entities as well as public and private property estimated at about $11 billion. In addition, the economy had deteriorated, the currency had depreciated and the cost of living had risen. The Government, with the support of many bilateral and multilateral financing institutions, had been able to redress some of the damage through emergency programmes for the rehabilitation of the affected regions. Difficult economic conditions still prevailed, including a population growth rate of 3.7 per cent, one of the highest in the world, along with high fertility and illiteracy rates. He then reviewed developments in various sectors of the economy and the efforts being made to improve performance. Yemen was now preparing its first Five-Year Development Plan for the period 1996-2000. In closing, he emphasized the fact that development in LDCs was a shared responsibility between the countries concerned and their development partners.

34. The representative of **Niger** said that since the beginning of the 1980s Niger had been struggling with unprecedented economic difficulties caused by successive droughts and the drop in uranium prices. Niger had reacted promptly by adopting a series of adjustment programmes and reforms. Despite progress in the implementation of reforms, the economic situation continued to deteriorate, partly because of political problems in 1990-1993. The democratically elected Government had decided to carry out measures to restore growth and reform public finances. Thus, following the devaluation of the CFA franc in January 1994, the Government had signed a confirmation agreement with the IMF, on the basis of which a loan was obtained from the World Bank and debt alleviation measures were granted by the Paris Club creditors. The pursuit of economic reforms was continuing. Furthermore, Niger had succeeded in restoring peace, as witnessed, notably, by the cessation of strikes and the signing, in April 1995, of a definitive peace accord with the armed rebels who had been operating in the northern part of the country since 1991. The Government intended to organize round-table meetings, respectively on the rehabilitation of the areas affected by the armed conflicts and on the subject of poverty alleviation.

35. The representative of **Nepal** stated that an inherent and often highly pronounced weakness in the economic, institutional and human resource base, combined with a high degree of poverty, had tended to segregate the LDCs from other members of the international community of nations. The Paris Declaration and the Programme of Action for the 1990s thus represented a source of new hope for fulfilling the aspirations of the LDCs. In short, the refusal to accept the marginalization of the LDCs was viewed as an ethical imperative by the international community. In Nepal, the Government was persevering with the reform process initiated since the introduction of a multi-party democratic system of governance in 1990. A macroeconomic policy framework conducive to sustained economic growth and development was already in place. Bilateral and competitive economic and trade policies had been implemented to encourage full private sector participation. New policies and programmes had recently been introduced in these areas. Poverty alleviation had been accorded added emphasis in the effort for overall economic growth. Agrarian reform had been given high priority and a Land Reform Commission had been constituted to recommend effective measures for institutional change. The concept of a campaign known as "Let's build our village ourselves" had been introduced to encourage the implementation of programmes with a direct impact on the lifestyle of villagers. Nearly one third of the total development budget had been allocated to the social services sector. Provisions had also been made for safety-nets for the elderly and weaker social segments as well as for an integrated development process. Moreover, measures had been implemented to provide an environment conducive to attracting foreign investment. Lack of an adequate infrastructural network in Nepal, as a land-locked country, as well as power shortages were unfortunately proving to be major obstacles to greater foreign investment participation despite the requisite policy measures being in place.

36. Major shortfalls in external support and a deterioration of the external economic environment had tended to reinforce the marginalization of the LDCs, in general, and of geographically handicapped countries, in particular.

Political stability and good governance could best be rooted firmly in a sound and equitable development process. He therefore called on the donor community to identify effective measures within the framework of the Paris Declaration aimed at improving the external environment and supporting the LDCs so that their legitimate expectations could become reality.

37. The representative of **Ethiopia** noted that almost all least developed countries, including Ethiopia, had undertaken structural adjustment reforms; however, experience had highlighted the importance of adequate external financing for their successful implementation, primarily because of the slow supply-side response in the face of persistent structural rigidities in these countries. The declining terms of trade, inadequate external resources, limited scope of mobilizing domestic resources and high debt-servicing burden had hampered these efforts. Furthermore, several LDCs were severely debt-distressed, and had difficulty in attracting external financing, which made them critically dependent on ODA. Ethiopia had embarked in 1991 on its economic reform programme, introducing a wide range of institutional and legal measures to ensure efficient resource allocation in the economy. Since 1991, inflation had been brought down from over 20 per cent to well below 10 per cent. Significant economic recovery had been registered; GDP had grown at an annual average of 5 per cent over the past three years. Ethiopia's priority objectives were the following: to reach higher growth and development through focusing on attaining food security, increasing export earnings, improving physical and social infrastructure and enhancing the role of the private sector in the economy. Those tasks required substantial external financing in view of the country's limited income base. He called for aid inflows to be sustained and increased. He expressed appreciation that the Netherlands, Norway, Denmark, Sweden, France and Portugal had met the aid targets while Ireland, Luxembourg and Finland had improved their aid programmes. More flexibility in the use of external resources and improving the quality of technical assistance could greatly enhance overall efforts.

38. The representative of **Equatorial Guinea** said that his country had been experiencing enormous economic and social difficulties since the 1980s, owing to the drop in the price and volume of the main export commodities: cocoa, coffee and wood. The total debt stock surpassed the country's GDP. It was hoped that revenues from oil production, estimated at between 5,000 to 7,500 barrels per day, would significantly contribute to improving the economic situation and the welfare of the population. The low level of exploitation of other natural resources, such as fisheries, and the extremely small share of industry in the economy were areas where development could yield great improvements. The Government was also making efforts to promote foreign investments, through recent revisions of the foreign investment laws and the creation of the Centre for the Promotion of Investments. Likewise, another area of concern was social conditions which were generally poor, as reflected in the high rate of infant mortality and low rate of literacy. There was a need for an assessment of the efficiency and adequacy of the aid now being provided to LDCs by the international community. In the particular case of Equatorial Guinea, the level of support had actually decreased, making it

difficult for the country to carry out the required economic rehabilitation programmes. In closing he called on the donors and the international financial institutions to increase their assistance to his country.

39. The representative of **ESCAP** said that the ESCAP secretariat had undertaken several activities concerning the Mid-term Review in close collaboration with the least developed countries in the Asian and Pacific region. A Senior Officials and Experts Meeting on the subject had taken place in April 1995, followed by the second session of the Special Body on Least Developed and Land-locked Developing Countries, a subsidiary body of the Commission, which had formulated recommendations for more effective implementation of the Programme of Action. The recommendations had been endorsed by the Commission at its fifty-first annual session in April 1995. He noted with concern that the performance of LDCs had remained lacklustre despite major policy reforms in a wide range of areas. The least developed countries in the ESCAP region had experienced a fall in the absolute amount of ODA, even in nominal terms, precisely during a period of intensified policy reforms. At constant price and exchange rates, these LDCs had experienced an annual decline of over 6 per cent in ODA flows during the period 1990 to 1992. LDCs in the Asian and Pacific region were fully conscious of the need for further improvements in their own policy and institutional framework and the Special Body on LDCs had made a number of recommendations in that respect.

40. The representative of **UNIDO** said that emphasis would continue to shift from quantitative to qualitative aspects of industrial development. The current challenge for most LDCs and developing countries pursuing industrialization would be to solve the problem of the accumulated structural adjustment gap through plant rehabilitation, modernization and mergers, on the one hand, while, on the other hand, building up a competitive basis for the years to come. Industry was the main engine of growth; industrial development was crucial to meeting the challenge of growing population, poverty and unemployment. In the 1990s, UNIDO had been paying particular attention to self-reliant development strategies in its assistance for industrialization of least developed countries. Such strategies should include the industrial component that would support the activities of rural development instead of trying to precede it. The Industrial Action Programme for the Least Developed Countries had been adopted by UNIDO's General Conference in 1991. "Financing the Industrial Action Programme for the LDCs: A Challenge for the 1990s" had been adopted in December 1993, in Yaoundé, Cameroon. Within the context of this Action Programme, UNIDO was now preparing for the third Ministerial Symposium scheduled for end-November/early-December 1995 to establish new measures for ensuring the development of the private sector in LDCs. He then briefed the meeting on technical assistance activities of UNIDO in LDCs in specific priority sectors from which several LDCs had benefited since the decade began.

41. The representative of **UNESCO** said that among the various ideas that guided the Programme of Action, three principles were particularly inspiring to UNESCO: (a) LDCs have primary responsibility for their own development and external assistance should have a complementary function; (b) people are the principal agents and beneficiaries of development; (c) since development has

both an individual and a collective dimension, education, training and information are crucial to mobilizing the energy and creativity of populations. In evaluating the implementation of the Programme of Action, he believed that one should pose the question of whether enough effort had been made in the struggle for development. There was a need to reduce dependence on external technical assistance and to rely more on national human resources and to enhance human and institutional capacities. In that context, UNESCO supported the Capacity Building Initiative Programme jointly established by UNDP, the World Bank and the African Development Bank, with the objective of creating and strengthening African countries' capacities in analysing their problems and defining their development policies. He called on non-governmental organizations and the international community in general to support LDCs in their efforts to promote decentralization and the involvement of the population in the process of development. He emphasized the need to strengthen both formal and informal education, including adult education, as this provided the foundation for development. Finally, UNESCO was ready to support the implementation of the Programme of Action.

Chapter I

PREPARATIONS FOR THE MID-TERM GLOBAL REVIEW OF PROGRESS TOWARDS THE IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s

(a) Review of progress in implementation at the country level;

(b) Review of progress in international support measures;

(c) Consideration of new measures for ensuring the full and effective implementation of the Programme over the second half of the decade

(Agenda item 3)

42. For its discussion on this item, the Donor/Recipient Meeting had before it the following documentation:

Basic documents:

"The Least Developed Countries 1995 Report", prepared by the UNCTAD secretariat - (TD/B/41(2)/4);

"Part one: Draft Assessment of Progress in the Implementation of the Programme of Action for the Least Developed Countries for the 1990s at the National Level and Progress in International Support Measures" and

"Part two: Possible Recommendations", submitted by the Acting Chairman of the Special Sessional Committee of the second part of the forty-first session of the Trade and Development Board - (TD/B/LDC/AC.2/CRP.1 and Add.1);

Background material

"Report of the Expert Group Meeting on Fiscal Policy Reforms in the Least Developed Countries" - UNCTAD (TD/B/LDC/GR/1);

"Report of the Expert Group Meeting on Women in Development in the Least Developed Countries" - UNCTAD (TD/B/LDC/GR/2);

"Report of the Expert Group Meeting on Trade Diversification in the Least Developed Countries" - UNCTAD (TD/B/LDC/GR/3);

"Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s" - (UNCTAD/RDP/LDC/58).

43. At its 1st plenary meeting on 29 May 1995, the Donor/Recipient Meeting decided to establish a working group in which to treat this agenda item. The results of the deliberations and negotiations of the Working Group so constituted are contained in the attached annex I.

Chapter II

PROCEEDINGS OF THE 5th (CLOSING) PLENARY MEETING

A. Action by the Donor/Recipient Meeting

44. At the 5th (closing) plenary meeting on 2 June 1995, the **Chairman of the Working Group** (Russian Federation), established at the 1st (opening) plenary meeting to deal with matters arising under agenda item 3, reported on the Group's deliberations. Eight informal meetings had been held to consider the two-part substantive text (TD/B/LDC/AC.2/CRP.1 and Add.1). He noted that impressive cooperation had been shown by all participants and that the text had been the subject of intensive discussion, as requested by the Trade and Development Board at the second part of its forty-first session in March 1995. As a result, a revised draft was before the closing plenary meeting: (a) Part one: Draft assessment of progress in the implementation of the Programme of Action for the Least Developed Countries for the 1990s at the national level and progress in international support measures, and (b) Part two: Possible Recommendations (issued in TD/B/LDC/AC.2/L.2). He noted that good results had been achieved through the cooperation of all involved in the work of the Group, citing in particular the efforts of regional coordinators and spokesmen for country groupings as well as other members of the Bureau.

45. The Donor/Recipient Meeting decided to annex to the report of its session document TD/B/LDC/AC.2/L.2, which reflected the extent of the exchange of views among experts during the Geneva Meeting, as a contribution to the High-level Intergovernmental Meeting on the Mid-term Global Review of the Implementation of the Programme of Action for the Least Developed Countries for the 1990s, in New York in September 1995, where the text could serve as a basis for discussion. For the text of the contribution, see annex I.

B. Closing statements

46. The **Director-in-charge of the Division for Least Developed, Land-locked and Island Developing Countries** announced that the report of the Consultative Committee on Programme and Operational Questions (CCPOQ) had been made available to delegations. The CCPOQ had met from 30 May to 1 June 1995 as part of inter-agency consultations on the preparations for the Mid-term Global Review. Several organizations had reported on action taken in favour of LDCs and had undertaken to contribute substantively to the preparatory process. Continued support for national capacity-building was being stressed. The following elements had been cited as meriting particular attention: (a) CCPOQ member organizations viewed with concern the insufficient progress by the LDCs in socio-economic development stressing that LDCs should remain a priority objective for supportive action; (b) There was a need for a long-term development perspective in the formulation and funding of programmes and assistance; (c) Actions were needed to reduce the external debt stock and servicing burden of LDCs in line with commitments in the Programme of Action; (d) Indigenous capacity-building should be stressed; (e) National policies and strategies must be geared towards creating an enabling environment for increased participation by LDCs in international trade and private sector

resource flows; (f) Structural adjustment programmes in LDCs must take into account long-term country-specific requirements; (g) Sectoral analyses by agencies for the Mid-term Global Review should address programmatic issues foremost and extend beyond the Programme of Action into areas of emerging priority, such as environment, population, social development, women in development, human settlements, etc.

47. The representative of **Nepal** praised the organization of the Meeting, which had provided an opportunity for large numbers of least developed countries to meet with donor countries and exchange views on matters of utmost importance. The current Meeting had set the tone for the coming High-level Intergovernmental Meeting on the Mid-term Global Review in September 1995. In this connection, he praised the high-quality documentation prepared by the UNCTAD secretariat and the arrangements made for the High-level Meeting where his Government would be represented at the highest possible level. He then expressed gratitude to the donors for their serious and constructive participation. Although many island developing countries had unfortunately been unable to attend, every effort had been made to represent their needs and views. While an important section of the donor community had taken great pains to participate in a most positive way, the absence of others was regrettable. He therefore wished to place his concern on record. He urged greater participation by all countries at the High-level Meeting in New York in September. In closing, he called for deferring discussion on certain matters that had been raised in the Working Group during the session including the subject of economic cooperation among developing countries until a time when all concerned parties were present.

48. The **Chairman** (Norway) commended participants for their hard work and the progress made towards preparations for the High-level Meeting in the course of the session. As a result, there was now a broader pool of understanding on the assessment of progress in the implementation of the Programme of Action adopted at the Paris Conference in 1990 although areas remained where positions still differed. Very useful discussions had taken place on possible Recommendations for action. Nevertheless, the session had also revealed the amount of hard work still ahead. Altogether, the Meeting had established a contribution to the negotiations that would start in New York at the High-level Intergovernmental Meeting on the Mid-term Global Review, that would prove to be very useful and important.

49. The representative of **Bangladesh** observed that, although the final outcome had not been to the full satisfaction of all concerned, the current Meeting had none the less made an important contribution to the coming High-level Meeting. He expressed deep gratitude to the Chairman who had guided the deliberations so expertly, leading the Meeting to a successful conclusion and congratulated the secretariat on its fine work. He then praised the Chairman of the Working Group who had conducted the deliberations on agenda item 3 with painstaking care and had done so much to lead the Group towards agreement. He noted that representatives from the least developed countries had come to the Meeting from near and far and it had been most encouraging to hear and share their valuable ideas. His country looked forward to participating in the High-level Meeting in New York in September.

The presence of the United Nations agencies at the Meeting had likewise been very helpful. In closing, he appealed to all donor countries in particular to attend and support the High-level Meeting. Finally he asked that the secretariat circulate the relevant documentation in timely fashion for all delegations to prepare well in advance of the High-level Meeting in September.

50. The spokesman for the **African Group** (Sudan) thanked the Chairman of the Meeting and the Chairman of the Working Group for their leadership and expressed high praise for the representatives of the least developed countries who had made valiant efforts to attend. He noted that all delegations had worked hard to make the outcome a success. His Group particularly urged all countries to participate in the High-level Meeting in New York.

51. The spokesman for **Group B** (Spain) voiced appreciation for the efficient and tireless efforts of the Chairman of the Meeting and the Chairman of the Working Group, members of the Bureau, the secretariat and all who had contributed to the success of the Meeting.

52. The representative of **France** on behalf of the **European Union** praised the Chairman for his efficiency in bringing the work to a successful conclusion and the Chairman of the Working Group for the quality of the document prepared by the Working Group. He also commended the secretariat for the quality of the documentation prepared for the session. Useful and substantial results had marked the outcome of the work accomplished; the atmosphere of trust and confidence that prevailed had contributed greatly to the progress made towards reaching agreement. Likewise the attendance in large numbers of representatives of LDCs had greatly facilitated the undertaking. The work to date and especially the way in which it was being pursued augured well for the success of the High-level Meeting in New York. The session had revealed that any divergence of views was probably more a question of approach rather than a fundamental difference over substance. In closing, he drew attention to the importance of having texts available in all the working languages. While a great effort had been made in this regard at the current session, it would be equally important also for the High-level Meeting.

53. The representative of **Yemen** thanked the Chairman of the Meeting and the Chairman of the Working Group for their positive contributions and the representatives of donor countries for their valuable participation, mentioning in particular the constructive efforts and wisdom shown by the representative of the European Union. In closing, she noted that it would be very important to have all the documentation for the High-level Meeting available in all languages well in advance so that participants could be properly prepared.

Chapter III

ORGANIZATIONAL MATTERS

A. Opening of the session

54. The Meeting of Governmental Experts of Donor Countries and Multilateral and Bilateral Financial and Technical Assistance Institutions with Representatives of the Least Developed Countries was opened on 29 May 1995 by the Deputy to the Secretary-General of UNCTAD.

B. Election of Officers

(Agenda item 1)

55. At the 1st plenary meeting on 29 May 1995, the Donor/Recipient Meeting elected the following Bureau:

Chairman:	Mr. Björn Skogmo (Norway)
Vice-Chairman:	Mr. Y.I. Omar (Ethiopia) Mr. V. Skliarov (Russian Federation) Mr. J.P. Antonio (Haiti)
Vice-Chairman-cum-Rapporteur:	Mr. B.J. Lacoul (Nepal)

C. Adoption of the agenda and organization of work

(Agenda item 2)

56. At the 1st plenary meeting on 29 May 1995, the Donor/Recipient Meeting adopted its provisional agenda (TD/B/LDC/AC.2/1) as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Preparations for the Mid-term global review of progress towards the implementation of the Programme of Action for the Least Developed Countries for the 1990s:

   (a) Review of progress in implementation at the country level;

   (b) Review of progress in international support measures;

   (c) Consideration of new measures for ensuring the full and effective implementation of the Programme over the second half of the decade

4. Other business

5. Adoption of the report.

57. At the same meeting, the Donor/Recipient Meeting decided to establish a working group to deal with agenda item 3. This working group would be open-ended with the same Bureau as the plenary meetings.

58. At its 2nd plenary meeting, on 29 May 1995, the Donor/Recipient Meeting elected the Acting Chairman of the Special Sessional Committee, Mr. V. Skliarov (Russian Federation), Chairman of the Working Group.

D. Other business

59. No points were raised under this agenda item in the course of the session.

E. Adoption of the report

60. At the 5th (closing) plenary meeting on 2 June 1995, the Donor/Recipient Meeting adopted the draft report of its session (TD/B/LDC/AC.2/L.1 and Add.1 to 3) and authorized the Vice-Chairman-cum-Rapporteur to complete the final report in the light of the proceedings of the closing plenary.

Annex I

CONTRIBUTION TO THE HIGH-LEVEL INTERGOVERNMENTAL MEETING ON THE MID-TERM GLOBAL REVIEW OF THE IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s a/

PART ONE: DRAFT ASSESSMENT OF PROGRESS IN THE IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s AT THE NATIONAL LEVEL AND PROGRESS IN INTERNATIONAL SUPPORT MEASURES

BACKGROUND

1. The Trade and Development Board, at the second part of its forty-first session, reviewed the status of preparations for the High-level Intergovernmental Meeting on the Mid-term Global Review of the Programme of Action for the Least Developed Countries for the 1990s. In its Agreed Conclusions 423 (XLI) the Board felt that "the proceedings of the High-level Intergovernmental Meeting could be significantly enhanced if a comprehensive assessment of the progress in the implementation of the Programme of Action by Governments was made available to the High-level Meeting. In this connection, the Board requested that the Chairman of the Special Sessional Committee "undertake intensive consultations with States members of UNCTAD with a view to arriving at an assessment of progress made in the implementation of the Programme of Action, together with possible recommendations for consideration at the Donor/Recipient Meeting."

2. The following paragraphs respond to the Trade and Development Board's request. They take into account, inter alia, the recommendations of the Board as outlined in its Agreed Conclusions 423 (XLI), and the outcomes of the annual reviews of the Trade and Development Board on Progress in the Implementation of the Programme of Action. It also draws upon the analyses prepared by the UNCTAD secretariat, notably as reflected in LDCs Annual Reports, as well as contributions made specifically for the High-level Meeting by the Economic Commission for Asia and Pacific, and the Economic Commission for Africa. Finally, the assessment also draws upon the contributions from a number of specialized agencies of the United Nations.

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a/ Annexed to the report of the Meeting of Governmental Experts of Donor Countries and Multilateral and Bilateral Financial and Technical Assistance Institutions with Representatives of the Least Developed Countries in accordance with a decision taken at its 5th (closing) plenary meeting on 2 June 1995.

INTRODUCTION

3. The Second United Nations Conference on the Least Developed Countries (LDCs,, held in Paris in 1990, adopted the Paris Declaration and the Programme of Action for the LDCs for the 1990s. The basic principles and aims of the Programme of Action are as valid today as when they were drawn up. The prime objective of the Programme of Action is "to arrest the further deterioration in their (LDCs') socioeconomic situation, to reactivate and accelerate growth and development in these countries and, in the process, to set them on the path of sustained growth and development." The policies and measures in support of these objectives, set out in the Programme of Action, revolve around the following major areas: establishment of a macroeconomic policy framework conducive to sustained economic growth and long-term development; development and mobilization of human resources; development, expansion and modernization of the productive base; reversing the trend towards environmental degradation, promotion of an integrated policy of rural development aimed at increasing food production, enhancing rural income and enhancing the non-agricultural sector activities; and the provision of adequate external support.

4. It is noted [with great concern] that only one country, i.e. Botswana, has graduated from the group of LDCs since the early 1970s. [On the contrary,] the number of LDCs has increased from 41 at the time of the Paris Conference in September 1990 to 48 countries at present, [without a corresponding increase in support measures.]

I. MAIN DEVELOPMENTS DURING THE EARLY 1990s

5. Despite vigorous efforts by LDCs to implement economic reforms as envisaged by the Programme of Action, the LDCs as a group have not been able to meet many of the objectives of the Programme of Action and their overall socio-economic situation has continued to deteriorate. Several factors, both domestic and external, have contributed to the overall socio-economic deterioration in the LDCs. The domestic factors include: civil strife in some LDCs [- and the resulting economic burdens in some neighbouring countries -]; political instability; macroeconomic imbalances, manifested in large fiscal and balance-of-payments deficits; [unfavourable impact of policy reforms in some cases;] poor performance of the productive sectors, including lack of adequate physical infrastructure. The external factors include: the decline of LDCs' share in world trade [leading to their continued marginalization], the inadequacy of external finance due to widespread cuts in aid budgets, the emergence of new claimants for aid, [and more stringent aid conditionalities]. Other factors include recurrent natural disasters and the persistence of debt-servicing difficulties.

6. [In conjunction with the world recession] [Thus, as a result of the above factors], their real GDP growth rate averaged only 1.7 per cent per annum during the first four years of the 1990s, having declined from the growth rate of 2.3 per cent achieved during the 1980s. [The situation in the LDCs did not improve even after recovery in developed countries.] With population growing at an average annual rate of 2.9 per cent, GDP per capita

suffered an annual 1.1 per cent decline thus threatening to worsen the already precarious income and consumption levels as well as to widen the savings - investment gap in these countries.

7. While the slow-down in economic growth rates was common to both Asian and African LDCs, the former which benefited, inter alia, from a relatively favourable regional environment, attained an average per capita output growth of 1.4 per cent in the 1990s, as compared with a 2.1 per cent per annum fall suffered by the latter. There has also been significant inter-country variations in growth performance. Thus, it is encouraging to note that despite the poor performance for the group as a whole, nearly one quarter of LDCs were able to attain positive per capita income gains in the early 1990s. A strong expansion of agricultural production, internal stability, strong government commitments, a sound political and regulatory framework for development, complemented by significant external support, among other factors, have contributed to raising economic growth rates.

8. The worsening of socio-economic conditions in many LDCs in the 1990s has increasingly translated into a marked deterioration in human welfare as reflected in reduced caloric intakes, increased mortality and morbidity, re-emergence and spread of diseases, lower school enrolment, further marginalization of the weakest members of society, and other signals of acute social distress, as further reviewed below in section V.

9. The external environment facing LDCs has remained [unfavourable] [difficult]. As these countries moved into the 1990s, despite an increase in exports of manufactured goods, their share in world exports and imports fell by more than three-eighths and one-third from the already low levels of 0.7 per cent and 1.0 per cent respectively in 1980. Despite vigorous efforts to diversify the largely commodity-based composition of their exports, LDCs' economies continued to be vulnerable to vicissitudes of instability in commodity markets. Official development assistance, on which LDCs depend principally for their external financing, registered a decline over the early 1990s, and aid outlook remains uncertain. Although a large number of LDCs have adopted national regulatory frameworks conducive to foreign investment, they have not yet attracted significant FDI. Despite measures adopted to alleviate their external debt burden, such a burden continued to be unsustainably high for many LDCs and is seriously compromising their adjustment and development efforts.

10. Some developing countries are also important development partners of LDCs. They have technical assistance and training programmes from which the latter have benefitted. [The potential of expanded economic and technical cooperation between LDCs and other developing countries merits further exploration and support by the international community especially in view of the new opportunities emerging with the dynamic growth experience of a number of those other countries.]

11. Several LDCs have been taking a number of measures to promote trade with neighbouring countries. For example, a number of African LDCs, especially land-locked ones, have sought to establish some form of free trade area or

customs union at the subregional level. However, establishing such subregional arrangements has encountered a number of obstacles which have limited their effectiveness.

12. [In sum, therefore, requisite progress has not been made in most LDCs during the first half of the 1990s in realizing the overall objective of the Programme of Action. Furthermore, the ongoing processes of economic globalization and liberalization are likely to have profound consequences for the future development of the LDCs: these processes which offer great opportunities for growth and development also entail risks of instability and marginalization. As LDCs have made limited progress in overcoming structural constraints, infrastructural insufficiencies, debt overhang, promoting and diversifying enterprise and export sector, attracting foreign investment and creating a sufficient technological base, they will face globalization and liberalization from a situation of constraints and a lack of an adequate enabling environment.]

12 bis. [In sum, the policies carried out in most LDCs during the first half of the 1990s have not yet led to the expected progress towards the objectives of the Programme of Action. Still, encouraging progress has been recorded in a significant number of LDCs, as a result of the implementation of appropriate policies and enhanced internal stability. The LDCs should thus pursue their efforts notably with a view to diversifying their economies and attracting foreign investment, in order to meet the challenges of globalization and liberalization under more favourable conditions.]

II. THE POLICY REFORM PROCESS

13. In recent years most LDCs have embarked on a process of structural adjustment and wide-ranging reforms, often under internationally agreed frameworks for structural and sectoral adjustment. Important areas of policy focus have been towards coping with fiscal and balance of payments deficits, improved mobilization and use of domestic resources, through tax reforms, improving the effectiveness of the public sector and providing greater opportunities for the private sector. LDCs have also initiated reforms in critical areas such as population, education, health, food security and trade policy.

14. There are, however, some cases where the pace and scope of these reforms contrast with the [meagre] [varying] results achieved. In particular, despite success in securing short-term macroeconomic stability, certain situations sometimes exist where the reforms appear to have neither helped in lifting structural constraints facing the economies of LDCs nor improved supply capacity and export diversification. Thus while it was recognized that the reform process sometimes could not guarantee immediate results, it was emphasized that the efforts of LDCs provided a context in which, over the long term, growth and structural transformation could reinforce each other [provided adequate support is made available.]

15. The experience of LDCs points towards a number of factors that determined success or otherwise of reform measures. Prime among them has been government commitment to reforms, the appropriateness of national policy contents, sequencing of reforms and the level of external financial support to underpin reform efforts. Problems inherent in policy design, particularly the neglect of structural conditions and endowment-related considerations had retarded, and even reversed, the momentum of reforms. Inadequate resource mobilization has been a particularly critical constraint in LDCs. [The expectations that substantial external financial flows would be forthcoming to support the reform process has not materialized to the extent necessary.] [The external financial flows that the LDCs expected did not always match their expectations]. [Other factors include: non-availability of critical imports; pursuance of 'selective' rather than 'across-the-board' trade liberalization; lack of dynamism of manufacturing growth; and an unfavourable external environment.]

16. The socio-economic difficulties of [most] LDCs have been further exacerbated by a specific set of environmental problems such as land degradation and erosion, drought and desertification, which impair prospects for their development. These environmental problems have been aggravated in LDCs by a number of complex and interrelated factors, which include poverty and poverty-linked population pressures and cross-border refugee movements resulting from man-made and natural disasters. A noteworthy development has been that LDCs have demonstrated growing awareness of environmental issues and problems and many have implemented policies, strategies and institutional mechanisms to deal with them. [Additional resources are needed to deal with environmental problems.] [While] a number of LDCs have, in addition, made some progress in the area of disaster prevention and reduction, [the focus in dealing with natural disasters has continued to be on ad hoc immediate disaster relief.]

[III. CIVIL STRIFE AND POLITICAL INSTABILITY]

[17. Furthermore, civil strife, political instability and refugee problems in several LDCs have frequently led to armed hostilities, large-scale displacement of population, [alien] [external] influence, food emergencies and a breakdown in the system of governance. Thus, dealing with situations of war and other forms of violence has been the main priority for the Governments concerned and has led to a major diversion of resources and manpower to unproductive expenditures. Under these circumstances, domestic development efforts are at best diminished, and external assistance is focused on humanitarian aid, with decreased emphasis on meeting the requirements of longer-term development. Moreover, the high instability, so pervasive in many LDCs, has caused the loss of resources through capital flight as well as a loss of highly skilled manpower. On the other hand, it is encouraging to note that in several other LDCs far-reaching changes in the system of governance ranging from free elections to democratic constitutional reforms have ushered in new possibilities for establishing more participatory and transparent systems of government. [These changes need to be supported and nurtured.]

Indeed LDCs which achieved a revival of economic growth were generally those where greater progress has been made in securing popular participation and respect for human rights.]

[Besides destabilization caused by the presence of a large number of refugees, some LDCs have been obliged to provide asylum, with far-reaching implications for budgetary, environmental impacts, other resource needs and related security problems which require urgent concrete international support for these countries of asylum.] [A particularly disquieting trend in many LDCs is the growing incidence of man-made food emergencies arising from wars and related population displacement which has contributed to food insecurity in some African LDCs.]

IV. DEVELOPMENTS IN THE PRODUCTIVE SECTORS

18. During the early 1990s, agriculture in most LDCs has been characterized by lags in production growth relative to that of the population, [continued] declines in terms of trade and loss of market shares for traditional agricultural commodities. Agricultural production growth rates in LDCs fell by 1.1 per cent per annum in per capita terms during the period 1990-1993. Several LDCs responded to the continued poor performance of the sector by introducing reform measures, particularly reforming producer price incentives and marketing systems and provision of essential agricultural inputs. While the overall thrust of these measures has been the removal of barriers to the private sector in agriculture, they have been unable to provide support services. A particularly disquieting trend in many LDCs is the growing incidence of man-made and recurrent natural disasters such as drought, flood, and devastating cyclones which are the most important causes of food insecurity in many African LDCs. The situation has been further exacerbated by declines in food output and limited capacity to offset shortfalls through imports.

19. Notwithstanding the wide variations in the manufacturing growth rates among LDCs, the performance of the manufacturing sector on the whole has weakened in recent years, manufacturing activities have remained relatively undiversified, and utilization of capacity and resources has been low. The sector growth rate decelerated to 1.4 per cent per annum during the early 1990s, from 2.1 per cent per annum in the 1980s. While some one third of LDCs had maintained a positive growth of manufacturing value-added (MVA) in the 1980s and early 1990s, most LDCs had experienced stagnation and even declines in manufacturing output. The LDCs' response to the deteriorating manufacturing performance has been through adjustments of macroeconomic policies and instruments and sectoral measures to augment manufacturing output and efficiency. At the sectoral level, the LDCs have reoriented their incentive structure and introduced changes in institutional policies and regulatory arrangements in order to improve the macroeconomic environment for manufacturing production.

20. The LDCs had made major efforts to improve their transport and transit infrastructure systems during the last decade. The budgetary constraints faced by LDCs have, however, gradually undermined the financial capabilities of Governments to maintain the momentum of these efforts. These constraints are particularly felt in land-locked and island LDCs, where inadequate physical infrastructure poses major obstacles to structural transformation and economic development.

V. HUMAN RESOURCES DEVELOPMENT

21. Several LDCs have adopted population policies, measures and programmes to tackle key problems in human resources development. These have been complemented by strong efforts to change attitudes, including persuasion and campaigns relying on traditional and modern information techniques. [Despite all these, the expansion of national population programmes has been difficult for a number of reasons, such as funding constraints, political, administrative and logistical obstacles as well as the scarcity of qualified personnel and family planning services.]

22. [Most LDCs continue to have a high prevalence of disease and high mortality rates, caused mainly by poor sanitation and hygienic conditions and the lack of safe drinking water supplies.] AIDS and tropical epidemic and endemic diseases have become a major cause of death in recent years in some LDCs as these countries have limited resources to deal effectively with such endemic diseases and epidemics. The economic crisis faced by LDCs has further undermined health conditions in many countries as living standards have fallen, health services have been cut due to budgetary pressures, and the availability of imported medicines and other medical supplies has dwindled. Education services continue to be affected by deteriorating economic conditions, in particular by budgetary constraints. There is a need for investment in the development of human capacities, particularly in programmes of health nutrition, education and training and population activities. [There have been some encouraging results achieved by some LDCs in the areas of health and education.]

23. Although women constitute half of human resources in the LDCs, they have continued to be hampered by their marginal positions from playing their full role in socio-economic development. Despite measures being taken to enhance their role in development, women in the LDCs still lag behind their male counterparts as well as women from other developing countries in all areas of social and economic development. They face particular problems related to gender discrimination such as limited access to productive resources, restricted education and training opportunities, poor health status, low representation in strategic decision-making positions, as well as having to bear a high dependency burden, more so as deepening poverty is felt more acutely by women-headed households. In addition, the prevalent attitudes regarding women's abilities and their proper socioeconomic role and women's own lack of knowledge about their rights have kept them away from mainstream development. The lack of follow-up to decisions and internationally agreed recommendations aiming at the advancement of the status of women has also been a major cause of the poor prevailing situation.

VI. EXTERNAL TRADE AND THE IMPLICATIONS OF THE FINAL ACT OF THE URUGUAY ROUND

24. [As economic globalization and liberalization lead to a higher degree of competition, it may become more difficult for export products of LDCs to compete. This may be even more difficult for land-locked LDCs that have to bear higher transportation costs. While globalization and liberalization may enhance opportunities for LDCs in respect of access to non-traditional export markets, there are also challenges for LDCs.] [Economic globalization and liberalization could expose export products of LDCs to a much higher degree of competition than before, particularly in the land-locked LDCs that have to bear high transportation costs. While in some areas these processes may enhance opportunities for LDCs, particularly in respect of access to non-traditional export markets, it is a challenge that LDCs should meet.] Despite recent improvements, world commodity markets have remained volatile. The need to strengthen LDCs' productive capabilities and diversify their exports has thus become even more urgent [contrary to what was envisaged in the Programme of Action, the LDCs have become even more marginalized in world trade in the 1990s.]

25. The extremely low export capacity of most LDCs continued to be one of the major obstacles to growth and a source of their high dependence on ODA for financing necessary investment, imports and technical support for development. The adoption of trade liberalization policies and measures by an increasing number of LDCs was welcomed. It was however noted that difficulties persisted in expanding LDCs' external trading opportunities. Commodity and market diversification measures have been rendered difficult principally by lack of investment, technology and skills to augment levels of production and efficiency.

26. LDCs have been granted special tariff preferences under the various GSP schemes and other preferential arrangements but their use, particularly by African LDCs, has been limited. Only a part of the GSP-covered imports from these countries has received preferential treatment. Besides institutional and human resource constraints in LDCs, the limited use of GSP schemes has also been due to the exclusion from certain schemes of a number of products of export interest to LDCs (e.g. textiles and clothing, carpets, footwear and leather goods, etc.) and the unfavourable rules of origin of some schemes. [Other important schemes, however, provide very liberal access for LDCs' exports.]

27. [The adoption of the Final Act of the Uruguay Round marks a shift away from a trading environment in which preferences were a major factor in the competitiveness of LDCs' exports, which will have significant consequences for the trading prospects of LDCs.] [The adoption of the Final Act of the Uruguay Round will have significant consequences for the trading prospects of LDCs, in particular as regards preferences and competitiveness of LDCs' exports.] It was noted that the LDCs had to accept the overall package of the Uruguay Round in its entirety as a single undertaking,] [Since it had been agreed that the results of the Uruguay Round had to be accepted as a single undertaking, LDCs had to accept the overall package in its entirety,] thus involving assumptions

of obligations on their part as well as securing advantages. While the new arrangements provide LDCs with new opportunities, concerns have been expressed as to the possibilities that LDCs may suffer erosion of preferential margins in many of their exports to major markets and a possible consequential loss in export market shares and export earnings. In addition, the net food-importing LDCs may face higher import bills, at least in the short-run, resulting from the agreement on agriculture. In the longer run, the Final Act poses to LDCs the twin challenges of, first, developing and strengthening institutional and human capacities to formulate and manage legislation implementing the complex set of agreements of the Round, and secondly, building capacities for maximizing opportunities arising from these agreements. In this regard, the provisions of the Marrakesh Declaration and the Ministerial decisions were recalled.

28. [Trade among the LDCs, on the one hand, and that between LDCs and other developing countries within the same subregional or regional economic grouping, on the other hand, is insignificant as a share of international trade. Appropriate measures should be taken to promote, support and strengthen trade initiatives of the LDCs in these subregional and regional groupings.]

VII. EXTERNAL FINANCE

29. [It was noted with concern that] ODA remains the single most important source of external financing for LDCs. [Since the adoption of the Programme of Action some donors have improved their aid performance, which is to be welcomed, although the targets set in the Programme of Action have not been fully met. The donors' commitment to devote 0.15 per cent or 0.20 per cent of their GNP as ODA to LDCs has not so far been achieved due to stringent budgetary and financial constraints. In fact the ODA/GNP ratio for DAC donors as a whole had declined from 0.09 per cent in 1990 to 0.07 per cent in 1993. Moreover, the uncertain resource situation outlook of the main multilateral financial institutions and grant-based programmes should be noted, in view of the importance of multilateral aid for the LDCs.] [While welcoming improved aid performance by some donors, it was noted with regret that the overall donors' aid performance fell short of the commitments undertaken in the Programme of Action. ODA flows (actual disbursements) from DAC countries, and multilateral agencies mainly financed by them, to the LDCs declined sharply in 1993. In absolute terms, ODA flows fell by $1.5 billion. Almost $1 billion of this was due to a drop in multilateral aid flows to LDCs. In view of the important role of multilateral funding in meeting LDCs' financial needs and the uncertain resource outlook for some of the major multilateral financial institutions and grant-based programmes, this is a particularly worrying development. The ODA/GNP ratio for DAC donors as a whole declined to 0.07 per cent in 1993 as compared to 0.09 per cent in 1990. Moreover, this shortfall has to be seen against the agreed menu of targets and commitments which call for a significant and substantial increase in resources to LDCs and include, inter alia, the targets of 0.15 per cent and 0.20 per cent of donors' GNP as ODA.]

30. [Certain positive developments have taken place in the areas of aid modalities and effectiveness. Most DAC donors have now shifted to a grant basis in their aid programmes for LDCs, resulting in a further increase in the grant element of bilateral ODA, (which averaged 97 per cent in 1993). Most multilateral funding to LDCs is also on highly concessional terms.] [International efforts to mobilize resources to LDCs implementing structural adjustment programmes, like the World Bank-led SPA process, have produced positive results.]

VIII. EXTERNAL DEBT AND RELIEF MEASURES

31. [The external debt stock and its servicing burden remains exceptionally high for most LDCs. At the end of 1993, their total debt stock stood at $127 billion, an estimated 76 per cent of their combined GDP (for half the LDCs the size of the debt stock equalled or exceeded their respective GDP).] [The external debt burden remains a crucial issue for some LDCs. According to the OECD/DAC information, LDCs' total debt stock amounted to $127 billion in 1993, corresponding to 76 per cent of their combined GDP. It appears that for half of these countries, their external debt is equal to or exceeds their GDP.] The difficulties many LDCs have in meeting their external obligations, in the context of the critical current economic situation and their poor export performance, are reflected in the relatively low levels of debt service paid in relation to scheduled payments. [The share of multilateral debt in total long-term debt, as well as debt service, has increased considerably in recent years. Thus, in 1993 multilateral debt constituted around 36 per cent of LDCs' total debt as compared with 27 per cent in 1984. The corresponding share in total debt service during this period increased even more from less than 30 per cent to almost 50 per cent.] [In this respect, the share of obligations to multilateral institutions in total long-term debt represented around 36 per cent of LDCs' total debt in 1993 as compared with 27 per cent in 1984. During the same period, the share of multilateral debt service in LDCs' total debt service increased from less than 30 per cent to almost 50 per cent.] [Debt relief measures taken so far have proved to be inadequate to provide an effective and durable reduction in LDCs outstanding debt and debt-servicing burden. Although, in late 1994, the Paris Club reached agreement on new terms (the Naples terms) for the poorest and most indebted countries, these terms (and in particular the debt stock reduction option) are likely to be implemented for a relatively small number of countries, and the new terms by themselves are not likely to be sufficient to resolve the LDCs' external debt problem.] [It was felt that debt relief measures were highly conditional and therefore cancellation of debt appears to be a more desirable solution.] [It should be noted that important relief measures have been taken to reduce LDCs' debt stock and debt service obligations. In particular, following the adoption of the Toronto terms in 1988 (and enhanced Toronto terms in 1991), from which 28 countries benefited, the Paris Club in 1994 decided to take a step forward in the debt treatment of the poorest countries, by agreeing on the "Naples terms". Nine countries, of which six are LDCs, have already benefited from these provisions, which notably offer the possibility to reduce the debt of the poorest and most indebted countries by 50 to 67 per cent.]

IX. ARRANGEMENTS FOR IMPLEMENTATION, FOLLOW-UP AND MONITORING OF THE PROGRAMME OF ACTION

32. In addition to the regular follow-up, monitoring and review of progress in the implementation of the Programme of Action at the global level by the Trade and Development Board, arrangements have also been made to ensure the full mobilization and coordination of all organs, organizations and bodies of the United Nations system for the purpose of the implementation and follow-up of the Programme of Action. Individual agencies have continued to develop and implement assistance programmes for the LDCs and pursued their advocacy and policy advisory missions with regard to these countries. There is a need for regular reporting about the monitoring of progress made by various agencies.

33. At the country level, review arrangements, including the UNDP-sponsored round-tables and the World Bank consultative and aid groups, had been further consolidated during the early 1990s with additional countries joining or rejoining the process and meetings taking place more frequently and on a more regular basis. In all, over 60 full-scale consultative aid groups and round-table or similar meetings were organized since the adoption of the Programme of Action until early 1995. While results in terms of resource mobilization have varied among countries, these meetings no doubt have an important role to play in improving aid flows to LDCs and in aid coordination.

PART TWO: POSSIBLE RECOMMENDATIONS

34. Possible recommendations are based on the draft assessment of progress in the implementation of the Programme of Action for the Least Developed Countries for the 1990s, presented in Part one, as well as on information contained in the Least Developed Countries Report 1995 and recommendations made by the Expert Groups convened by the UNCTAD secretariat as part of the preparations for the High-level Meeting which will carry out the Mid-term Global Review on the Implementation of the Programme of Action. These recommendations cover a number of key areas of concern for the LDCs.

I. REFORMS

A. Major Challenges

35. The challenges facing LDCs in the second half of the 1990s are to reverse the decline in economic and social conditions, to promote sustainable economic growth, development and structural transformation and to avoid becoming further marginalized in the international economy. An intensified policy commitment by both LDC Governments and the international community will be required to meet these challenges. In implementing domestic policies, LDCs would endeavour to focus on measures to restore and maintain macroeconomic stability, to promote the growth and diversification of exports, to strengthen an enabling environment for private sector investment and entrepreneurship, to enhance human resources development, [to promote appropriate population policies,] to strengthen the infrastructure and to promote good governance as mentioned in the Programme of Action [through the promotion of political stability, popular participation, protection of

minorities and the peaceful resolution of civil conflicts.] The broad outlines of a domestic economic policy framework conducive to meeting the challenges facing the LDCs are delineated below.

B. The Economic Policy Framework

36. (a) [Macroeconomic stability necessitates avoiding excessive public sector deficits, [observing rules of the sound management of bank credits,] restraining monetary growth and maintaining realistic exchange rates commensurate with ensuring a sustainable external balance.]

(b) [Exchange rate and trade policy measures to expand export earnings,] [policies to increase export earnings, including appropriate exchange rate and trade policy reforms] to reverse the decline in the LDCs' share of world trade, diversify the composition of their export structure and facilitate their ability to exploit opportunities arising from the Final Act of the Uruguay Round are essential.

[Appropriate actions should be taken, consistent with the Final Act of the Uruguay Round of multilateral trade negotiations, in particular the decision on measures in favour of the LDCs and the decision on measures concerning the possible negative effects of the reform programme on the LDCs and the net food importing developing countries, in order to give these countries special attention, with a view to enhancing their participation in the multilateral trading system and to mitigating any adverse effects of the implementation of the Uruguay Round.]

(c) Policy measures are needed to enhance the supply capacities of LDC economies, particularly in the agricultural, infrastructural, industrial, services and export sectors, if sustainable growth and structural transformation are to be achieved. This will entail the provision of appropriate [a framework appropriate for] [incentives for] private sector investment complemented with public investment and support for the private sector in areas such as infrastructure, technological capacity-building, agricultural extension services, vocational training and provision of finance, etc.

[(c) bis. The potential of economic and technical cooperation between LDCs and other developing countries merits further exploration. The international community should help LDCs participate effectively in subregional and regional trade. Such trade could be promoted by identifying complementarities in production structures among countries, strengthening the institutional and human capacities for the operation of subregional trading arrangements, establishing subregional trade information networks, and associating the private sector more closely with the integration process. There are potential gains for the LDCs in participating in the Global System of Trade Preferences among Developing Countries. LDCs should be encouraged to accede to GSTP and be provided with appropriate technical assistance to enable them to benefit fully from the system.]

(d) The growth of a dynamic private enterprise sector requires an appropriate economic, fiscal and legal framework. Essential features of this framework are: stable and predictable policies; tax, monetary and trade policies which ensure adequate incentives for investment; and a legal system which protects property rights and commercial contracts.

(e) Enhancing human resources development is imperative if LDCs are to raise productivity, output and living standards. [With the support of the international community], Governments should [intensify] [be encouraged and supported in their] efforts to raise education standards, improve the health status of their populations [and strengthen the status of women by implementing population policies in accordance with the provisions of the Declaration and Programme of Action of the 1994 United Nations Conference on Population and Development, in Cairo,] and expand the provision of basic services and utilities.

(e) bis. To enable women in the LDCs to play their full role in development, efforts should focus on overcoming the practical constraints faced by women as regards their access to social services and to productive resources; adopting affirmative actions when necessary; and involving women directly in planning, decision-making, implementation and evaluation of programmes and projects which concern them. Special initiatives and innovative schemes which can give women increased access to credit, training, information on marketing channels, as well as other support services to alleviate the burden of their role as mothers and housewives should be adopted.

(f) The economic policy strategies adopted by the LDCs should be consistent with the need to [eradicate] [alleviate] the chronic levels of poverty afflicting these countries, in particular [by promoting the development of the private sector and entrepreneurship, by ensuring that people have access to land, credit, information and other productive resources, and benefit from a policy and regulatory environment that enhances their overall capacities and empowers them to benefit from expanding employment and economic opportunities.]

(g) LDC Governments are attempting to implement comprehensive structural adjustment reforms in very difficult circumstances, often in the face of severe administrative and financial constraints. Many of the constraints that they face are structural, deep-seated and not amenable to short-term solutions. Consequently successful structural adjustment reforms require government commitment to reform, and a medium- to long-term perspective for implementation.

[In order to ensure that structural adjustment programmes include social development goals, in particular the eradication of poverty, the generation of productive employment and the enhancement of social integration, Governments, in cooperation with the international financial institutions and other international organizations, should:

- Protect basic social programmes and expenditure, in particular those affecting the poor and vulnerable segments of society, from budget reductions;

- Review the impact of structural adjustment programmes on social development by means of gender-sensitive social-impact assessments and other relevant methods, and develop policies to reduce their negative effects and improve their positive impact;

- Further promote policies enabling small enterprises, cooperatives and other forms of micro-enterprises to develop their capacities for income generation and employment creation.]

(h) [Unless adequate levels of external finance are made available to support structural adjustment programmes by the international community, there is a serious danger that the sustainability of the reform process will be undermined and that the long-term objectives will be jeopardized.] [The reform process should be pursued with the effective support of donors.] [Measures to expand the scope of external debt relief combined with an increase in concessional finance from the donor community are imperative to support the efforts of the LDCs to revitalize and restructure their economies.]

II. EXTERNAL TRADE [AND INVESTMENT]

[The extremely low absolute] [A too low] level of export receipts of the LDCs, as well as their fluctuation and the resulting sharp limitation on the capacity of these countries to import is one of the major structural constraints to developing their trade. This situation is more acute in the case of land-locked countries as their external trade is further impeded by high transportation costs. Actions by the international community can help LDCs' efforts to increase export earnings through increased production in both the traditional and the modern sectors of the economy through diversification of the commodity structure and [direction of trade and securing remunerative prices] for their export commodities. It can also help LDCs [to tide over the unfavourable consequences of the Final Act of the Uruguay Round] and to better integrate themselves into the international trading system. The following international support measures [should be implemented] [could be considered in this regard]:

- operationalization, through translating into concrete actions, of the Marrakesh Declaration as it relates to LDCs, as well as the Marrakesh Ministerial decisions for LDCs and net food importing countries, taking into account the impact of the trade liberalization and LDCs' relatively weak capacities to participate in an increasingly competitive global market in goods and services; [operationalizing the decisions of the Marrakesh Ministerial Meeting in favour of LDCs and net food importing countries, taking into account also that the majority of LDCs are net food importing countries.]

- improvement of the GSP schemes through, where possible, the widening of product coverage [to include all products of export interest to the LDCs] [taking into account products of export interest to the LDCs], reducing procedural complexities, avoiding frequent changes in the schemes;

- [further liberalization of the rules of origin]; [reduction] [elimination] of tariff escalation through improvement in schemes that affect mainly their semi-processed tropical agricultural and natural resource-based products;]

- [providing deep preferential tariff cuts or complete duty [reduction] [elimination] under GSP or other preferential schemes for products still subject to high tariff peaks, e.g. agricultural products, fish and fish products, leather and footwear and textiles and clothing. There should be [more] flexible use of the rules of origin to encourage efforts towards industrialization and expansion of the export base;]

- [anti-dumping and countervailing duties and safeguard action should not be taken against imports from LDCs, the LDCs should be exempted from any cumulative assessment of injury; advance policy pronouncements to this effect would positively influence investors' decisions in the LDCs, encouraged by the predictability of market-access conditions;]

- [as for textiles and clothing, LDCs should be exempted from all restrictions during the 10-year transition period (whether or not members of WTO) to enable them to build up their export capacity and improve their competitiveness;]

- [as for textiles and clothing, LDCs, all of which are either new entrants or small suppliers, should be exempted from all restrictions during the 10-year transition period (whether or not members of WTO) to enable them to build up their export capacity and improve their competitiveness;]

- in order to promote more trade with the LDCs, developed countries should [consider] setting up, in their own countries, import promotion agencies as already done by some countries. Such agencies would provide support services and act as contact points for business/trade missions from LDCs, undertake market research and give publicity to LDCs' products. In addition, the trade and investment promotion agencies of developed and developing countries [should] [could] be invited to consider modalities for identifying new opportunities in particular sectors and markets for the benefit of LDCs;

- in the area of services, while efforts should be directed at building and strengthening efficiency and competitiveness of the LDCs' [emerging] [infant] domestic service sectors, their

participation in trade in services could be enhanced by: [effective application of Article IV of GATS on a unilateral basis] [through negotiated specific commitments] in favour of the LDCs, to liberalize sectors and modes of supply [i.e. movement of persons] of interest to them; facilitating their access to information networks and distribution channels and to technology [on a commercial basis] and by giving [priority] [facilitating] access to information to LDCs' service suppliers, to be made available through contact points to be established in accordance with GATS. [Priority should be given to LDCs in respect to movement of labour for providing services to other countries.]

- [setting up a "safety net" (including additional financial flows, compensatory financing, greater trade preference, support measures in the area of foreign investment and technology transfer, etc.) during the process of adjusting to the liberalized trade order in the post-Uruguay Round era to cushion the impact on LDCs;]

- [increased] [effective] technical and financial assistance to enhance their supply capacity of tradeable goods and services and improve infrastructure.

- continued support to commodity diversification efforts, inter alia, by providing financial and technical assistance and enhancing market access opportunities for LDCs, [ensuring that trading opportunities of LDCs are not subject to conditionalities such as social clause, environmental standards, etc.]

- [provide specific fiscal and financial incentives by home countries of foreign investors to encourage foreign investment in LDCs.]

- [promotion of South-South and regional cooperation to enhance market access for LDCs by neighbouring countries. Measures should be taken to grant duty-free access to the exports of LDCs on a non-reciprocal basis by the more advanced among developing countries and also to augment resources for promoting economic cooperation among developing countries (ECDC) and technical cooperation among developing countries (TCDC) through multilateral and bilateral institutions. The more advanced among developing countries should, inter alia, introduce GSP schemes for LDCs.]

III. EXTERNAL FINANCE

[LDCs' overwhelming dependence on ODA is likely to continue unabated during the rest of the present decade and beyond. The basic policy issues that the international community faces in this respect in the current climate of budgetary stringency and ODA scarcity are: (a) how to improve aid allocations to the LDCs; and (b) how to enhance the quality and effectiveness of assistance to these countries. Donors need to implement expeditiously the aid targets set out in the Programme of Action and fulfil their commitments to provide a significant and substantial increase in the aggregate level of

external support to LDCs, keeping in mind the increased needs of these countries, as well as the requirements of the new countries included in the list of LDCs following the Paris Conference.]

[The following requirements for measures and actions by donors can be highlighted:

- specific measures to incorporate the targets and commitments set out in the Programme of Action more explicitly into donors' national aid strategies and budgetary planning mechanisms;

- ensure adequate funding of the multilateral institutions and programmes which are major sources of financing for LDCs. Particular attention will have to be paid to [generous] replenishment of IDA and the soft-term windows of the regional development banks, as well as of the European Development Fund (EDF) and other grant-based multilateral programmes. [The possibility of tapping new sources of funds, such as special drawing right (SDR) allocations and IMF gold sales, to help support LDCs' development efforts should also be explored;]

- [provide funding from new sources such as IMF gold sales and SDR allocations;]

- [to increase the share of LDCs in the operational activities of the United Nations system for development;]

- to increase substantially the allocation of core and non-core resources of UNDP to LDCs during the sixth cycle commencing in 1997, [and similarly increase resources for LDCs through other United Nations agencies;]

- provide substantial support to adjustment programmes in LDCs on a timely basis and on terms adapted to LDCs' special needs and circumstances, as well as additional financial support for poverty eradication, environmental protection and social programmes;

- [an increased level of technical assistance should be provided to LDCs and priority should be given to skill transfer;]

- [ensure the maintenance of transparency and accountability in the management of aid resources by the aid officials of donor countries/organizations;]

- [the international community should support the measures being taken in LDCs to eradicate poverty. Increased resources should be made available in this regard.]

[Official development assistance will remain of great importance to the LDCs until the end of the decade. In this respect, special attention should be given to aid quality and effectiveness. The commitments undertaken in the

Programme of Action in 1990 for the duration of the decade retain all their validity and importance. The donor countries will spare no effort to implement them within the time frame set out in the Programme of Action, even though they are experiencing certain budgetary constraints.

The various provisions in this area adopted by recent major United Nations conferences should also be taken into account, in particular the World Summit for Social Development in Copenhagen. In view of the enhanced assistance capacities of a number of developing countries over the past few years, they should be invited to join the traditional donor countries in providing assistance to the LDCs.]

IV. EXTERNAL DEBT

[Further debt-relief measures, including, in many cases, a substantial reduction of their outstanding debt stock, are needed to help LDCs redress their economies. The following would be essential elements in a debt-reduction strategy for LDCs:

1. Official bilateral debt

- measures to implement ODA debt-cancellation programmes in accordance with UNCTAD Trade and Development Board resolution 165 (S-IX) expeditiously and across the board with a view to completely eliminating LDCs' remaining ODA debts. This would require setting up debt-cancellation programmes similar to the existing ones by all major creditors still holding such claims (including non-OECD creditors);

- intensifying measures in the Paris Club, with a view to ensuring full forgiveness of all official bilateral debts of LDCs;

- equivalent debt-relief measures by other official creditors, including by setting up special debt-reduction programmes such as possible tripartite arrangements involving the debtor country, creditor country/creditors and concerned third parties (e.g., current main donors and relevant international financial institutions);

- write off all debts arising from bilateral official non-concessional assistance.

2. Multilateral debt

- setting up donor support groups for LDCs in protracted arrears to the Bretton Woods institutions and offering grant assistance programmes to help them settle their overdue obligations;

- enhanced support in the form of supplemental credits through the World Bank's "fifth dimension" and similar schemes, refinancing arrangements and bilateral donor support to help LDCs meet

current debt-service payments on their remaining non-concessional multilateral debt and to reduce debt stocks for countries with unsustainable multilateral obligations;

- all non-concessional debt should be converted into debt on IDA terms.

3. Commercial debt

- use of debt reduction facility (DRF) to reduce substantially LDCs' commercial bank debts, supplemented by other debt buy-back and debt-conversion schemes;

- provide external financing on non-debt creating terms.

Consideration could also be given to an extension of DRF or setting up a DRF-like mechanism to cover other types of debt, e.g. under tripartite debt-reduction programmes suggested above. Furthermore, in accordance with the Declaration of the World Summit for Social Development, techniques of debt conversion applied to social development programmes and projects should be developed and implemented.]

[The international community, including the international financial institutions, should implement as soon as possible the relevant paragraphs of the Declaration and Programme of Action adopted by the World Summit for Social Development, in Copenhagen, relating to LDCs' external debt, as concerns official bilateral debt, multilateral debt and commercial debt.

Paris Club creditors are invited to implement as soon as possible the very concessional treatment under the "Naples terms" for the poorest and most indebted countries. Other creditors are also invited to take similar measures in order to alleviate the debt of LDCs.]

Annex II

MEMBERSHIP AND ATTENDANCE a/

1. The following States members of UNCTAD were represented at the session:

Afghanistan
Angola
Bangladesh
Benin
Bhutan
Burkina Faso
Burundi
Cambodia
Cape Verde
Central African Republic
Chad
China
Comoros
Denmark
Equatorial Guinea
Ethiopia
Germany
Greece
Guinea
Haiti
Japan
Lao People's Democratic Republic
Liberia
Madagascar
Mali
Mozambique
Myanmar
Nepal
Netherlands
Niger
Norway
Sao Tome and Principe
Sierra Leone
Spain
Sudan
Switzerland
Togo
Uganda
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
Vanuatu
Yemen
Zaire
Zambia

2. Also represented at the session were:

United Nations Department for Policy Coordination and Sustainable Development
United Nations Department of Development Support and Management Services
United Nations Economic and Social Commission for Asia and the Pacific
United Nations Economic Commission for Africa
United Nations Centre for Human Settlements (HABITAT)

The International Trade Centre UNCTAD/GATT was represented at the session.

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a/ For the list of participants, see TD/B/LDC/AC.2/INF.1

3. The following specialized and related agencies were represented at the session:

International Labour Organization
United Nations Educational, Scientific and Cultural Organization
International Monetary Fund
Universal Postal Union
World Intellectual Property Organization
United Nations Industrial Development Organization

The International Atomic Energy Agency was also represented at the session.

4. The following intergovernmental organizations were represented at the session:

European Community
Organization of African Unity

Annex III

CHECKLIST OF DOCUMENTS

TD/B/LDC/AC.2/1	Annotated provisional agenda	UNCTAD
TD/B/LDC/AC.2/CRP.1	Part one: Draft Assessment of Progress in the Implementation of the Programme of Action for the Least Developed Countries for the 1990s at the National Level and Progress in International Support Measures	UNCTAD
TD/B/LDC/AC.2/CRP.1/Add.1	Part two: Possible Recommendations	UNCTAD
TD/B/41(2)/4	The Least Developed Countries 1995 Report	UNCTAD
TD/B/LDC/GR/1	Report of the Expert Group Meeting on Fiscal Policy Reforms in the Least Developed Countries	UNCTAD
TD/B/LDC/GR/2	Report of the Expert Group Meeting on Women in Development in the Least Developed Countries	UNCTAD
TD/B/LDC/GR/3	Report of the Expert Group Meeting on Trade Diversification in the Least Developed Countries	UNCTAD
UNCTAD/RDP/LDC/58	Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s	UNCTAD
E/ECA/CM.21/15	A Review of Progress achieved by the African Least Developed Countries in the Implementation of the Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s (1990-1994)	Economic Commission for Africa
E/ECA/CM.21/L	Special Memorandum on the Mid-term Global Review of the Implementation of the Programme of Action for the Least Developed Countries for the 1990s, as adopted by the Conference of Ministers	Economic Commission for Africa

Contributions by Organizations of the United Nations system and specialized agencies*

TD/B/LDC/GR/Misc.1/Add.1	International Monetary Fund
/Add.2	United Nations Department of Humanitarian Affairs
/Add.3	Universal Postal Union
/Add.4	ESCAP
/Add.5 Part I	ECA
/Add.5 Part II	ECA
/Add.5 Part III	ECA
/Add.6	WHO

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